

WRITTEN TESTIMONY FOR THE RECORD

Presented at

“Where Have All the Houses Gone?
Private Equity, Single-Family Rentals, and America’s Neighborhoods”

Submitted to

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Submitted by

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UnidosUS, previously known as NCLR (National Council of La Raza), is the nation's largest Hispanic* civil rights and advocacy organization. Through its unique combination of expert research, advocacy, programs, and an Affiliate Network of nearly 300 community-based organizations across the United States and Puerto Rico, UnidosUS simultaneously challenges the social, economic, and political barriers at the national and local levels.

UnidosUS's work with our network of community-based financial and housing counseling providers helps to inform our understanding of Latinos' homeownership challenges and opportunities. The UnidosUS Wealth and Housing Alliance (UWHA) (formerly the National Homeownership Network, or NHN) is the nation's largest network of community-based organizations working to empower Latino wealth-building through homeownership. The UWHA develops effective programs that blend research, advocacy, and direct housing and financial counseling. The UWHA is a HUD-approved housing counseling intermediary, and trains hundreds of housing counselors to emphasize culturally competent counseling. Established in 1997, the UWHA includes 50 independent community-based organizations that support more than 60,000 families a year.

In addition to direct services and counseling, UnidosUS publishes reports, provides testimony, and advocates for policies that increase access to credit, make financial services more inclusive, and increase homeownership rates of low-income people and the Latino community.

Homeownership is a powerful tool to close the racial and ethnic wealth gap, and this is particularly true for Latinos, whose home equity accounts for more than half of all their wealth.¹

While homeownership is not the only way to build wealth, evidence shows it has a large impact. For example, Latino homeowners have 28 times the wealth of Latino renters (with a median net worth of \$171,900 for homeowners, compared to just \$6,210 for renters).²

Yet the U.S. is facing a vast shortfall in housing supply: Freddie Mac estimated in 2018 that there was a 3.8-million-unit deficit.³ This shortage of housing units and high demand is producing steep increases in housing prices, which means that fewer working-class families and people of color have access to safe and affordable homes. An inability to purchase a home will, in turn, exacerbate wealth inequality. In some of the forty largest metropolitan areas, rents have risen by as much as 30% in a single year, far outpacing average wage growth.⁴ In 2021, home prices increased by 19%.⁵

Relatedly, institutional investors are entering housing markets, further compounding the existing housing crisis. In 2021 one in seven homes sold in the forty major metropolitan areas were bought by investors, many of whom were outbidding would-be owner-occupants.⁶ In

* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout our materials to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race. Our materials may also refer to this population as "Latinx" to represent the diversity of gender identities and expressions that are present in the community.

2021, a study of two counties near Atlanta, Georgia, showed that 17% of all single-family homes were sold to investors, and prices for new homes in these counties had risen by 51% and 78% since 2019.⁷ And in Phoenix, Arizona, an analysis of the market in May 2022 showed that large investors bought almost 15% of all home purchases below the \$589,100 May median sales price.⁸

Institutional investors have key advantages over families seeking a home in today's competitive housing market. Investors frequently purchase homes with cash. In comparison, most families seeking to purchase a home must secure a mortgage loan. Due to their relative simplicity, all-cash offers are generally preferred by sellers because they present fewer risks and contingencies than offers that depend on a buyer securing a mortgage. Institutional investors can also assume greater financial risk concerning the condition of properties (sometimes buying them sight unseen), wield economies of scale to reduce renovation costs, and negotiate lower labor costs by contractors.⁹

As a consequence, prospective homeowners are entering an overcrowded housing market with fewer affordable options, including for entry-level homes.¹⁰ The recently announced White House Housing Supply Action Plan to increase housing supply and lower housing costs for working-class people and people of color provides a critical and welcome set of steps to alleviate pressures in the housing market.¹¹

But more is needed, especially for low-income communities of color. Notably, a significant portion of the income gains made by Latinos in the decade since the financial crisis was erased by the COVID-19 pandemic and ensuing job losses.¹² Moreover, Latinos and communities of color disproportionately bear the negative effects of the existing crisis. As of 2021, the median Latino household income was \$55,000,¹³ while the minimum salary necessary to afford the median-priced home nationally is \$68,008.50, far exceeding median Latino income.

Latino homebuyers must grapple with significant barriers to achieving homeownership. Latino homebuyers generally are younger and have lower levels of income and wealth, lower average credit scores, and larger and more multigenerational families in comparison with White homebuyers.¹⁴

Given their younger average age, Latinos account for nearly one-third of first-time homebuyers.¹⁵ Yet first-time homebuyers often lack sufficient capital to compete in today's high-priced housing markets. For example, in Santa Clara County, California—which is home to 487,000 Latinos—70% of properties sold over the asking price.¹⁶ However, Latinos had just 34% per capita income on average compared to White residents in Santa Clara County putting them at a stark disadvantage as home prices continue to rise.¹⁷

Notably, in the top twenty markets with the highest rates of Latino residents, 23% or more of new home purchases were made by investors. Several of these markets had investor purchase rates near 40%.¹⁸ Metropolitan counties such as Dallas County, Texas, Maricopa County,

Arizona, and Orange County, California, are high Latino-population areas that are contending with high rates of home purchases by institutional investors.

Institutional investors are clearly impacting the current housing market with disproportionate effects in high-density Latino cities and counties. However, there is currently no national accounting and analysis of the full and prospective impacts of institutional investors on the existing housing supply. In addition to the laudable steps in the Housing Supply Action Plan, national data and impact analysis are needed to create clear and shared understanding of the increased involvement of institutional investors in the housing market and its implications for housing affordability and equity.

Specifically, answers are needed on the effects of speculative and institutional investor involvement in the housing marketplace on factors such as eviction rates, the quality of housing stock, the availability of owner-occupied homes in highly contested markets, pricing and opportunities for home ownership for lower-income, new buyers, and buyers of color, and other key factors that may impact homeownership rates, access to affordable housing, rates of homelessness, the benefits and affordability of housing investments for individuals and families, and housing quality.

We also strongly support policies to increase the supply of affordable housing and to provide low- and middle-income families a greater opportunity to compete in the homeownership market. We welcome this hearing, and related efforts to make progress on these important topics.

We sincerely thank the Chair and Ranking Member and members of the subcommittee for their time and attention to this important matter.

Notes

- ¹ National Association of Hispanic Real Estate Professionals (NAHREP), “2020 State of Hispanic Homeownership Report” <https://nahrep.org/downloads/2020-state-of-hispanic-homeownership-report.pdf> (accessed June 20, 2022)
- ² Limón, Noerena, “NAC Blog: Let’s Talk About Appraisal Bias”, NAHREP, April 7, 2022, <https://nahrep.org/nac/2022/04/07/nac-blog-lets-talk-about-appraisal-bias/>.
- ³ Freddie Mac, “Housing Supply: A Growing Deficit”, Economic and Housing Research Note, May 2021, <https://www.freddiemac.com/var/www/html/freddiemacstd01live/docroot/research/insight/20181205-major-challenge-to-u.s.-housing-supply>.
- ⁴ Bhattarai, Abha, “Rents are up more than 30 percent in some cities, forcing millions to find another place to live”, Washington Post, January 30, 2022, <https://www.washingtonpost.com/business/2022/01/30/rent-inflation-housing/>
- ⁵ Duca, John V. and Murphy, Anthony, “Why House Prices Surged as the COVID-19 Pandemic Took Hold”, Federal Reserve Bank of Dallas, December 28, 2021, <https://www.dallasfed.org/research/economics/2021/1228.aspx>.
- ⁶ Schaul, Kevin and O’Connell, Jonathan, “Investors bought a record share of homes in 2021. See where.” Washington Post, February 16, 2022, <https://www.washingtonpost.com/business/interactive/2022/housing-market-investors/>.
- ⁷ Elora Raymund et al., Large Corporate Buyers of Residential Rental Housing During the COVID19 Pandemic in Three Southeastern Metropolitan Areas, Georgia Institute of Technology School of City and Regional Planning Research Report (Jan. 13, 2022). 16 Daniel Immergluck, Renting the Dream: The Rise of Single-Family Rentership in the Sunbelt Metropolis, Housing Policy Debate, at 814-829 (Vol. 28, no. 5, 2018). https://cpn-us-w2.wpmucdn.com/sites.gatech.edu/dist/d/2497/files/2022/01/ERaymond-2022-CorporateLandlords_PandemicPurchases.pdf
- ⁸ Blake, Matthew, “Phoenix rising in inventory, institutional investors”, RealTrends, June 22, 2022, <https://www.realtrends.com/articles/phoenix-rising-in-inventory-institutional-investors/>.
- ⁹ Goodman, Laurie and Golding, Edward, “Institutional Investors Have a Comparative Advantage in Purchasing Homes That Need Repair”, Urban Institute, October 20, 2021, <https://www.urban.org/urban-wire/institutional-investors-have-comparative-advantage-purchasing-homes-need-repair>.
- ¹⁰ Khater, Sam and Kiefer, Len, “Housing Supply: A Growing Deficit”, May 7, 2021, <https://www.freddiemac.com/research/insight/20210507-housing-supply>.
- ¹¹ “President Biden Announces New Actions to Ease the Burden of Housing Costs”, May 16, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/>.
- ¹² Wilson, Valerie, “Racial disparities in income and poverty remain largely unchanged amid strong income growth in 2019”, September 16, 2020, <https://www.epi.org/blog/racial-disparities-in-income-and-poverty-remain-largely-unchanged-amid-strong-income-growth-in-2019/>.
- ¹³ National Association of Hispanic Real Estate Professionals (NAHREP), “2020 State of Hispanic Homeownership Report” <https://nahrep.org/downloads/2020-state-of-hispanic-homeownership-report.pdf> (accessed June 20, 2022)
- ¹⁴ Goodman, Laurie and Zhu, Jun, “The Future of Headship and Homeownership”, January 2021, https://www.urban.org/sites/default/files/publication/103501/the-future-of-headship-and-homeownership_0.pdf.
- ¹⁵ Jones, Hannah, “First-Time Home Buyers Drive Real Estate Activity”, December 16, 2021, <https://www.realtor.com/research/first-time-home-buyers-2021/>.
- ¹⁶ National Association of Hispanic Real Estate Professionals (NAHREP), “2020 State of Hispanic Homeownership Report” <https://nahrep.org/downloads/2020-state-of-hispanic-homeownership-report.pdf> (accessed June 20, 2022)
- ¹⁷ “Santa Clara”, Race Counts, (Accessed June 21, 2022) <https://www.racecounts.org/county/santa-clara/>.
- ¹⁸ National Association of Hispanic Real Estate Professionals (NAHREP), “2020 State of Hispanic Homeownership Report” <https://nahrep.org/downloads/2020-state-of-hispanic-homeownership-report.pdf> (accessed June 20, 2022)